

New Impetus for Several General Assistance Programs

New legislation funds the second round of USDA's rural Empowerment Zone/Enterprise Community program, reauthorizes the Economic Development Administration and the Appalachian Regional Commission, creates a new rural development program, and extends several other recent initiatives.

General assistance programs offer flexible or comprehensive assistance to help communities with diverse needs, ranging from poverty-related problems to natural disasters. Most of the larger programs have maintained stable funding in 1999 (references to years in this article refer to fiscal years) (table 1). However, some new assistance is available, and Congress has reauthorized two programs to put them on a sounder footing.

USDA's Empowerment Program Gets Another Boost

The Empowerment Zone/Enterprise Community (EZ/EC) program provides comprehensive assistance to distressed communities that formulate holistic, strategic, sustainable

Table 1

Federal funding for selected general assistance programs by fiscal year¹

Funding is relatively steady for most of the large general assistance programs

Program	1998 actual	1999 estimate	Change	Rural areas most affected by the program ²
	Billion dollars		Percent	
HUD State/small cities community development block grants	1.26	1.27	1	Small towns and rural areas in Farm and poverty States
HUD section 108 loan guarantees	.38	— ³	— ³	Same as above
EDA adjustment assistance, includes economic and defense adjustment, planning, and technical assistance	.15	.15	0 ⁴	Low-income areas, vary from year to year ⁵
FEMA disaster relief ⁶	4.06	3.49	-14	Earthquake- and flood-prone areas
USDA's extension activities	.42	.44	5	Small towns and rural areas
BIA Native American assistance programs	1.70	1.74	2	Indian reservations

Note: HUD = Housing and Urban Development; EDA = Economic Development Administration; FEMA = Federal Emergency Management Agency; USDA = U.S. Department of Agriculture; BIA = Bureau of Indian Affairs.

¹Unless otherwise indicated, new budget authority is used for funding levels.

²See appendix for definitions of rural areas and States.

³The amount of section 108 loan guarantees is mostly a function of demand by communities; thus, it is impossible to provide accurate estimates for 1999 or for change from 1998 to 1999.

⁴Funding increased by \$1 million.

⁵In 1997, these programs provided the most assistance to rural areas in the South and West, mining- and government-dependent counties, poverty counties, and highly rural counties not adjacent to metro areas.

⁶FEMA funding amounts shown are for new obligations. The 1999 amount could rise when new national emergencies are declared and supplemental funding is supplied.

Source: *Budget of the United States Government, Fiscal Year 1999.*

development strategies over a 10-year period. Round 1 of the program designated 33 rural EZ/EC's (3 EZ's, and 30 EC's) in December 1994. In fall 1997, USDA was authorized to designate five new (Round 2) rural Empowerment Zones (EZ's) to receive tax incentives over 10 years. However, unlike Round 1, funding for the Round 2 zones was not appropriated at the time the competition was held and no provision was made at that time for any new Round 2 Enterprise Communities (EC's).

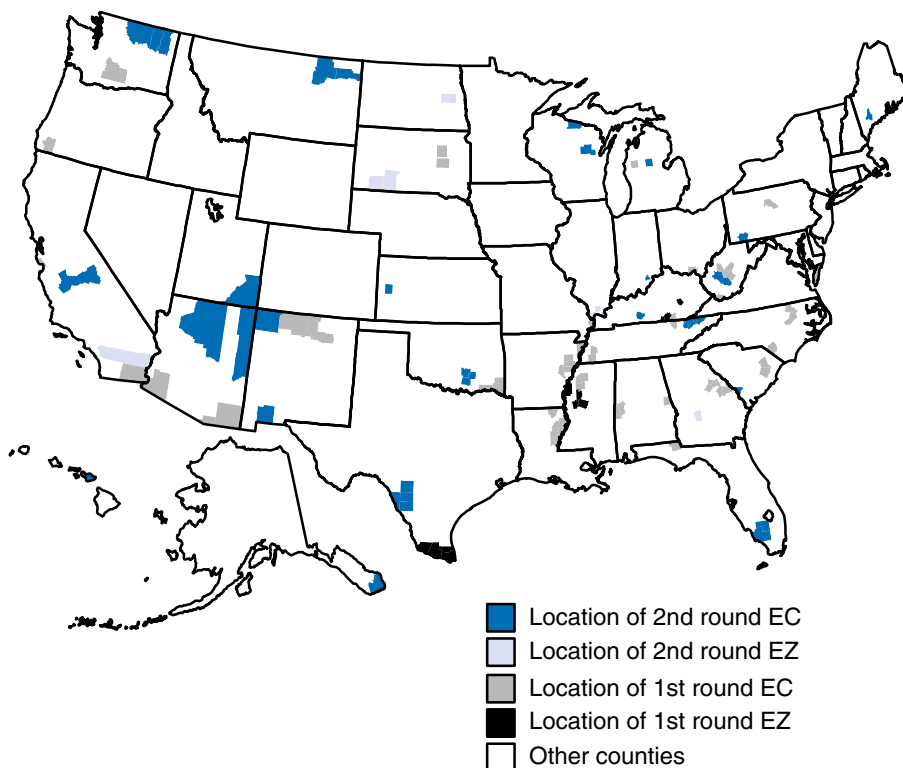
In 1998, Congress provided 1999 grant funds for this program, including \$10 million in grants for the five (Round 2) rural EZ's (\$2 million each). In addition, Congress authorized the creation of 20 new rural EC's, providing them with \$5 million in grant money (\$250,000 each). USDA had already solicited applications for the Round 2 EZ's, and from those applications it selected the 25 new rural EZ/EC's in December 1998. The new rural EZ/EC's are much more widely spread across the country than were the Round 1 EZ/EC's (fig. 1). This pattern is partly because Congress has allowed Round 2 to include Indian reservations (which are the only significant high-poverty areas in some regions of the country) and some EZ/EC's may now also qualify based on outmigration of population.

Although the initial grants for Round 2 are smaller than they were for Round 1 (Round 1 rural EZ's received \$40 million in grants each, and rural EC's received about \$3 million each), future appropriations are expected to provide additional grants for the Round 2

Figure 1

Rural Empowerment Zones and Enterprise Communities

The second round of Rural Empowerment Zones and Enterprise Communities is more widespread than the first round



EC = Enterprise Community; EZ = Empowerment Zone.

Note: The second round EZ in Georgia (Dooly/Crisp Counties) was converted from a first round EC.

Source: ERS, using information from USDA's Rural Development mission area.

EZ/EC's. Another change is that USDA provides the new grants directly to the local EZ/EC, rather than State agency intermediaries indirectly providing the grants as with the Round I Social Service Block Grants (Title XX). Some of these intermediaries charged a fee for this service.

EDA and ARC Reauthorizations Help Solidify Their Programs

One of the big stories for rural development is the Economic Development Administration and Appalachian Regional Development Act of 1998 (P.L. 105-393), which reauthorizes both the Economic Development Administration (EDA) and the Appalachian Regional Commission (ARC) programs. Through much of the 1980's and 1990's, proposals to eliminate or reduce these programs were made, and both sustained budget cuts. Both EDA and ARC released independent evaluation studies that pointed to the effectiveness of their programs, aiding their efforts to gain reauthorization. The resulting legislation is the first major revision since the 1970's for these two agencies. This legislation is particularly significant for regional development organizations in rural areas because both programs operate through multi-county regional organizations (EDA employs Economic Development Districts; ARC employs Local Development Districts).

In many respects, the legislation formalizes practices that had already been adopted, but it also includes some new provisions. For example, for EDA, the legislation consolidates nine eligibility factors into three basic distress factors: high unemployment (1 percent above national average), low per capita income (20 percent below national average), and "special need" as determined by the Commerce Secretary, such as need associated with increased unemployment or the presence of a pocket of poverty or high unemployment. The legislation also establishes a clearinghouse for economic development information, requires regular evaluations of EDA's university centers and economic development districts, and limits the agency's share of project grants to 50 percent (total Federal Government share is limited to 80 percent) to encourage more local participation. The legislation also formalizes EDA's spending of funds in places adjusting to problems related to defense cutbacks and natural disasters.

The ARC reauthorization formalizes the agency's use of various categories of counties, defined as competitive (approaching parity with rest of country), attainment (already attained parity), transitional, and distressed (severe and persistent distress). Restrictive limits have been placed on funding for the economically strong counties (competitive and attainment), and the Federal share of funds to ARC projects has been limited to 50 percent—distressed counties can get up to 80 percent in Federal funds (see *RCaT*, Vol. 9, No. 1, for a map of ARC's distressed and nondistressed counties; see *Rural Development Perspectives*, Vol. 13, No. 3 for more information on ARC's programs). Though it remains up to ARC to define the county categories, the legislation requires that ARC review these categories annually. While reaffirming ARC's traditional emphasis on infrastructure investment, the legislation also endorses ARC's newer strategies that emphasize entrepreneurship, economic diversification, training, technology, and global competitiveness.

EDA is reauthorized through the year 2003 and ARC's nonhighway programs are reauthorized through 2001 (ARC's highway program was shifted to the Department of Transportation last year). Though EDA is reauthorized for a longer period, its authorized funding levels will decline from \$398 million in 1999 to \$368 million in 2000, leveling off at \$335 million for the final 3 years. ARC's nonhighway program funding is authorized to rise slightly, from \$68 million in 1999 to \$69 million in 2000 to \$70 million in 2001. The level of funding actually appropriated for these two agencies in 1999 is discussed later in this article.

Congress Establishes a New Rural Development Program

The Community Development Block Grant (CDBG) program of the Department of Housing and Urban Development (HUD) included a \$25 million "set-aside" for rural economic development for 1998. This modest effort is being extended and formalized in 1999 by establishing HUD's new Office of Rural Housing and Economic Development,

funded with \$25 million in new money (plus \$7 million carried over from 1998). Although the funding is small compared with the amounts available under CDBG, this program is unique among HUD's programs because it is a direct Federal-to-local program benefiting rural areas nationwide, and it assists entities other than local governments. This will be a competitive program; eligible recipients include Indian tribes, State housing finance agencies, State community and/or economic development agencies, local rural nonprofit organizations, and community development corporations—local governments are not eligible. The objective is to support innovative housing and economic development activities in rural areas. Part of the program is reserved for capacity building and technical assistance activities, including \$3 million for rural nonprofits, community development corporations, and Indian tribes and \$1 million for developing a clearinghouse of ideas for innovative rural housing and economic development strategies.

Little Change in Funding for Most of the Large General Assistance Programs

The CDBG program provides general assistance to fund housing, infrastructure, and business development, both in urban and rural areas. This program has been appropriated \$4.75 billion in 1999, including \$526 million in "set-asides" for special purposes. The State/Small Cities portion of the CDBG program, which serves small cities and rural areas, plus some portions of metropolitan areas, has received \$1.27 billion for 1999, up only slightly from the year before.

HUD's section 108 loan guarantees help communities finance housing rehabilitation, public facilities, and large-scale business development projects in both urban and rural areas. The legal limit for this program remains \$1.3 billion, but the actual amount of loans guaranteed is determined by demand for the program and is unlikely to reach this limit. In 1998, this program provided for \$382 million in loan guarantees, up from \$189 million in 1997. While it is difficult to estimate the amount for 1999, this remains one of the largest credit programs offering general assistance. In 1999, a new risk assessment approach will be used in an attempt to provide differential subsidies to loans with different risks; the goal is to improve the secondary market resale for these loans.

The Department of Commerce provides general assistance to both rural and urban areas as part of its economic development assistance programs administered by EDA. EDA provides three types of general adjustment assistance: planning, technical, and economic/defense adjustment assistance (EDA's large public works program is discussed in the article on infrastructure). These programs focus on job generating to adjust for local economic problems. Funding for these general assistance programs remains relatively stable in 1999 with \$24 million for planning grants, \$9 million for technical assistance, and \$119 million for adjustment grants (including \$85 million for defense adjustment and \$34 million for economic adjustment). Additional funding goes to communities adjusting to natural disasters. EDA's general assistance programs help many rural economic development districts throughout the country (fig. 2).

While Congress provides funds from a variety of programs to assist communities recovering from natural disasters, the Federal Emergency Management Agency's (FEMA) disaster relief grants provide most of this kind of assistance. In 1998, FEMA's disaster relief totaled \$4.1 billion. For 1999, FEMA has received \$3.5 billion (includes unobligated beginning year balance) for such disasters, but the total could rise above 1998 levels if additional disasters require substantial supplemental funding.

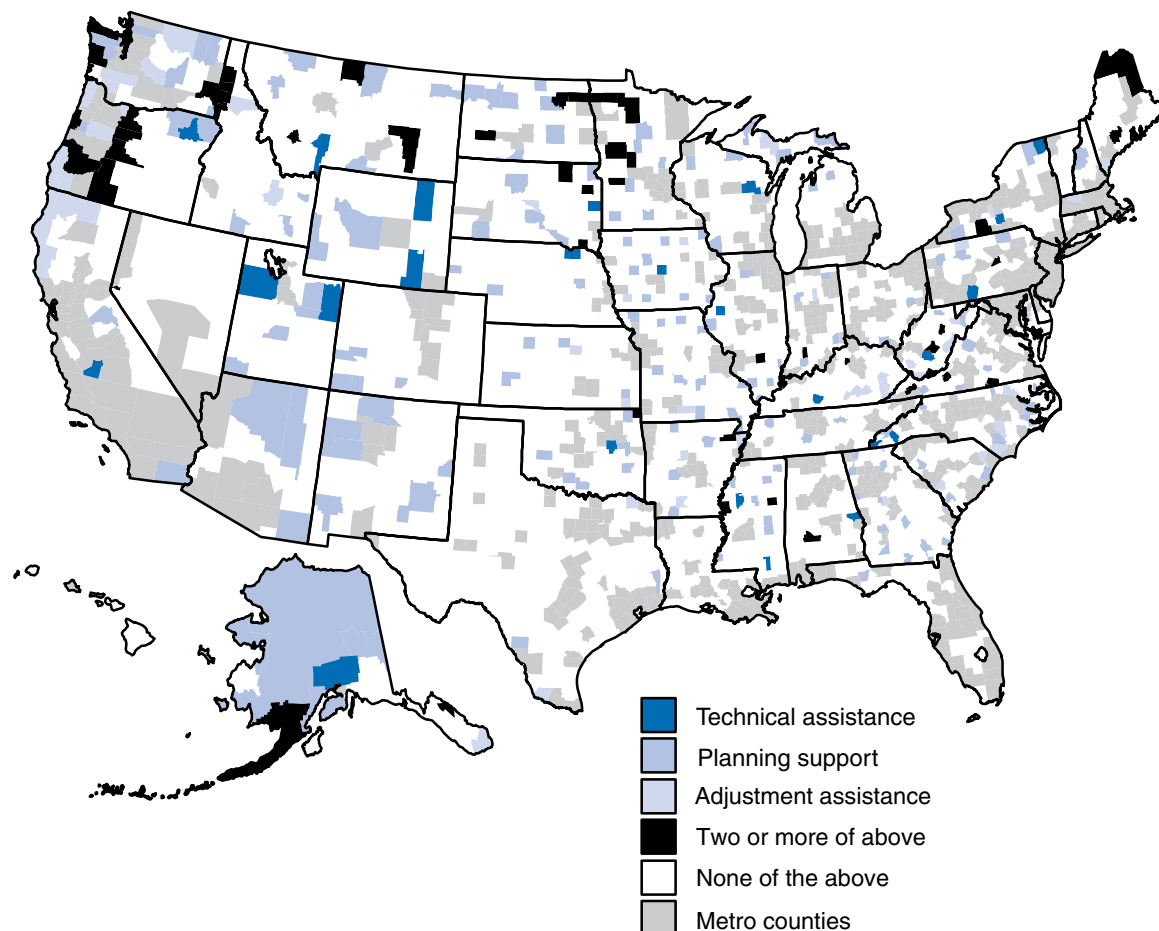
USDA's Cooperative State Research, Education, and Extension Service funds research-based technical assistance that helps rural communities adopt a wide range of farm and nonfarm development strategies. Federal funding for extension activities has grown slightly—from \$423 million in 1998 to \$438 million in 1999.

Funding for the Interior Department's Bureau of Indian Affairs (BIA) has increased slightly, from \$1.70 billion in 1998 to \$1.74 billion in 1999. The BIA programs provide general assistance to Indian reservations, mostly located in rural areas. Indian reservations also have received \$67 million in set-aside CDBG funds for general assistance.

Figure 2

Counties receiving general development assistance from the Economic Development Administration, fiscal year 1997

Planning support is the most common form of general assistance



Note: Excludes Public Works Assistance, which is covered in our article on infrastructure assistance.
Source: Calculated by ERS using Federal Funds data from the Bureau of the Census.

Small Programs Also Supply General Assistance

Small general assistance programs tend to focus on specific regions or places. Some of these programs are getting more funds this year than last. For example, ARC nonhighway programs, which were just reauthorized (see previous discussion), actually received \$70 million for 1999, \$3 million more than was appropriated for 1998. (These appropriation amounts differ only slightly from the amounts provided earlier in the authorizing legislation.) Included is \$61 million for area development, \$5 million for local development districts and technical assistance, plus \$4 million in salaries and expenses.

Joining ARC in 1999 is a new regional development commission, the Denali Commission, which will provide economic development and job training assistance in distressed rural communities in Alaska. The Denali Commission has been authorized for 5 years and has received \$20 million in 1999 to start up its operations. Meanwhile, a third regional development entity, the Tennessee Valley Authority, has withstood efforts to terminate Federal funding of its nonpower development programs, receiving \$50 million in 1999, down from \$70 million in 1998.

The Interior Department's payments in lieu of taxes have increased, from \$120 million to \$125 million. These payments go to areas that must forgo local taxes on Federal lands within their jurisdictions. This increase primarily benefits the West with its substantial Federal land holdings.

USDA has several small programs that provide general assistance. USDA's Forest Service helps natural resource-dependent and persistent-poverty communities increase skills and capacity to manage change, including efforts to diversify economies, strengthen social infrastructure, and increase community participation in land stewardship activities. The Economic Recovery, Rural Development, and Forest Products Conservation and Recycling programs provide direct technical and financial assistance. Funding for these programs has fallen only slightly, from \$10.1 million to \$9.9 million, in 1999.

Funding for USDA's Resource Conservation and Development (RC&D) program is steady at \$35 million. Administered by USDA's Natural Resources Conservation Service, this program provides assistance to 315 designated RC&D areas to address local environmental, economic, and social needs.

USDA's rural economic development grants and loans cover project feasibility studies and startup costs, business incubators, and other rural development activities. For this program, loans will fall from \$25 million in 1998 to \$15 million in 1999 (loan levels for this program, however, remain higher than in 1997), while grants will hold steady at \$11 million. Another USDA-Rural Development program, the Business Opportunity Grant Program, will provide about \$1 million for local planning and technical assistance related to community economic development.

USDA's Fund for Rural America operated last year with \$34 million for research related to rural development, environmental issues, and agricultural competitiveness. Funds were not available to administer the program in 1999, though research projects already funded will be implemented.

Several Initiatives Continue

The Brownfields National Partnership to help clean up and redevelop polluted sites in disadvantaged communities is now in its second year, with a 2-year budget of about \$300 million. This 15-agency effort includes assistance from the Environmental Protection Agency (EPA) to fund assessment and cleanup operations and related training, from HUD to provide community development and housing assistance, and from EDA and the Small Business Administration (SBA) to provide economic development assistance. For 1999, EPA has been provided with \$91 million (\$4 million more than last year), and HUD has received \$25 million for its economic development initiative grants for brownfields (the same amount as last year). HUD will target section 108 loan guarantee assistance to this effort, and brownfields have become permanently authorized as an acceptable use for HUD's CDBG program. Although EDA has no special funds for brownfields projects, it spent \$79 million from existing programs last year on 78 brownfield projects, and will continue this effort in 1999. While most brownfields are located in urban areas, some high-poverty rural areas should benefit from this initiative, particularly places where land for development is scarce, such as in mountainous areas.

The Community Development Financial Institutions (CDFI) initiative's budget has been increased from \$80 million in 1998 to \$95 million in 1999. This initiative, which began in 1996, revitalizes distressed urban and rural communities by helping selected financial organizations extend credit and provide technical assistance to promote community development. As of the beginning of 1999, 273 CDFI's were certified by the Department of Treasury's CDFI Fund to receive Federal assistance. These CDFI's provide a wide range of financial products and services, including mortgage financing to first-time homebuyers, rental housing rehabilitation, startup business loans, and basic retail/consumer financial services for low-income residents.

The American Heritage Rivers initiative designated 14 rivers for assistance to help restore and revitalize waterfront areas. These include the Blackstone/Woonasquatucket River

(MA, RI), Connecticut River (CT, VT, NH, MA), Cuyahoga River (OH), Detroit River (MI), Hanalei River (HI), Hudson River (NY), Lower Mississippi River (LA, TN), New River (NC, VA, WV), Potomac River (DC, MD, PA, VA, WV), Rio Grande River (TX), St. Johns River (FL), Upper Mississippi River (IA, IL, MN, MO, WI), Upper Susquehanna/Lackawanna Rivers (PA), and the Willamette River (OR). Using bottom-up plans from State/local partnerships, Federal agencies will focus resources from existing Federal programs to provide assistance.

The Northwest Economic Adjustment Initiative has been extended, but without significant new funding. This initiative assists workers, tribes, and communities hurt by reduced Federal timber harvests in Oregon, Washington, and northern California. Rural areas are the primary beneficiaries. Various Federal agencies (USDA, Labor, EDA, EPA, HUD, Interior, SBA, Commerce) provide financial and technical assistance through a comprehensive approach to revitalization, coordinated with State and local efforts. Although the initiative has been extended through calendar year 2000, Congress has provided no additional funding. Federal, State, and local partners will continue to work collaboratively to benefit affected communities and workers, and some Federal agencies, such as USDA's Forest Service and Rural Development, will provide reduced amounts of funding in 1999 to help during this transitional period. *[Rick Reeder, 202-694-5360, rreeder@econ.ag.gov]*